

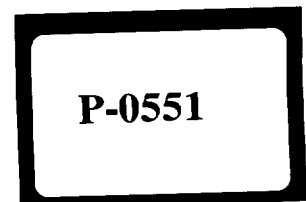
# **VISA**

**Current Products & Services**

**Consumer Credit Products Department**

**FY97/98 Business Plan**

Highly Confidential Subject to Protective Order



VIF0650362

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**1.0 INTRODUCTION**

The consumer credit card is Visa's primary and best performing product, accounting for 79% of Visa payment service volume worldwide, as well as 79% of all Visa accounts. The products managed by the Consumer Credit Products organization include Classic Card, Co-Brand/Affinity programs, Secured Card, Gold Card, Platinum Card and the "Above Gold" premium products.

There are more than 376.9 million Classic Cards worldwide. This product is Visa's mass market card, with 1996 sales volume of \$655 billion, 18% higher than in 1995. Transaction volume in 1996 grew to 5.1 billion, a 13% increase over last year.

The Visa Gold Card is targeted towards our more creditworthy, upscale customer. There are currently over 113.4 million cards worldwide. Sales volume in 1996 reached the \$282.9 billion mark, an increase of 25% over 1995. There were 2.4 billion Visa Gold transactions in 1996, 27% more than in 1995.

The Platinum Card was introduced in the U.S. Region just last year. The Platinum card has a little less than one percent of the total card volume.

The Co-Branded and Affinity card programs offered on all Visa credit card products are in high demand with Visa members and in the U.S, account for 50% of bankcard spending. Many of the Regions are predicting that Co-Branded programs will help them achieve their 1997/1998 volume goals.

With Consumer Credit Products being the major generator of growth in volume, Visa will need to continue to position the card to serve many customer and geographical segments.

## **2.0 MISSION AND GOALS**

Our mission is to act as partner to the Regions by providing the tools, processes and support that help sustain Member preeminence, profitability and competitiveness in the credit card industry. Our divisional goals are to:

- 1) Assist the Regions in achieving their consumer credit objectives by focusing on high potential, untapped markets, and ensuring that the Regional teams are fully equipped to maximize growth opportunities;
- 2) Develop new products to capture a greater portion of the T&E marketplace;
- 3) Develop global co-branding opportunities to increase card usage by focusing on strategic partners to maximize co-branding impact; and
- 4) Enhance existing products to remain competitive.

### 3.0 SITUATION ANALYSIS

The Visa card is the preferred payment card worldwide. Visa has more than 500 million cards in circulation today which are accepted in more than 14 million locations around the world. Central's focus is on driving greater issuance and greater usage. In country after country Visa Members are actively advancing the vision "the best way to pay" by expanding product usage and opening new geographic markets. Globally, Visa Members have made remarkable inroads into the US\$18 million Personal Consumption Expenditures (PCE) arena, 5.5% of PCE worldwide.

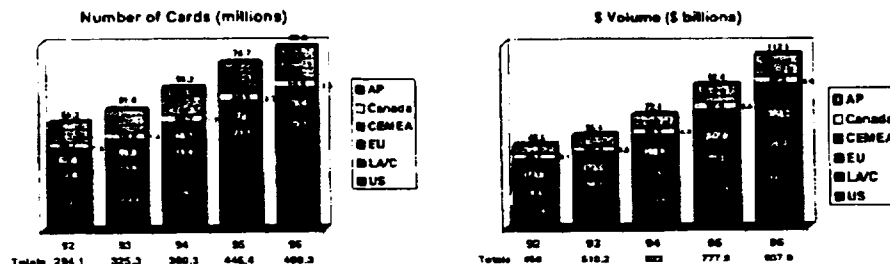
Visa has two Regions where credit cards are just becoming a major focus for them, EU and CEMEA. Their Members are creating a big market demand for consumer credit card products and indicating that they need to address different market segments or they will lose market share to their competitors.

#### 3.1 Market Definition

There are 239 countries that accept the Visa card. Eighty percent of consumer spending is in fifteen percent of these countries. Visa's consumer credit card opportunity lies in customer and geographical segmentation. For many of the Regions there is significant market potential remaining for Visa Gold, Co-Branded Partnerships, Platinum Card and the "Above Gold" products.

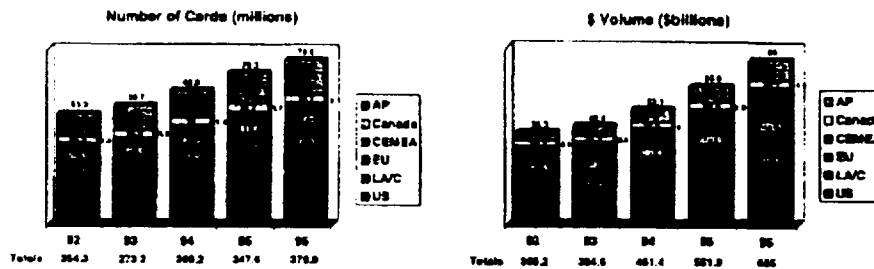
There are many countries where the credit card is not the dominant payment method. In fact, some countries only offer the Visa Classic card or Visa Gold card or nothing at all. The opportunity to increase or develop market share in these areas is being targeted greatly by the Regions, as discussed in the situation analysis section. Central's focus will be to support Regions in exploiting new markets. Listed below and on the next page are the total cards and sales volume by product and by Region for the last five years.

#### Total (Classic & Gold)

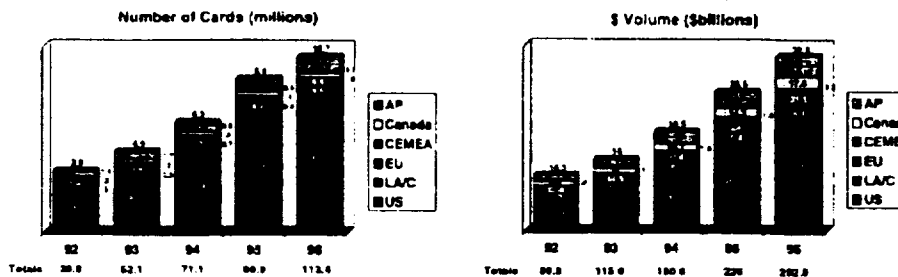


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**Classic**



**Gold**



**3.2 Market Trends**

The market trend continues in the direction of increased customer segmentation and targeted behavior rewards, travel related enhancements and awareness and loyalty programs. American Express and MasterCard are following this trend aggressively. American Express has rolled out their credit products in many of the countries within the Asia Pacific Region and the United States targeted to selected customer segmentation. American Express is also aggressively attempting to increase its merchant segmentation base and seeking alternative distribution channels through Visa Member banks internationally.

Each Region has established unique objectives based upon its local infrastructure, customer requirements and position in the marketplace:

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**3.2.1 United States Region - Generates 58% of total credit card volume.**

1. Grow Visa volume through non-traditional distribution channels.
2. Grow Visa volume through demographic segmentation.
3. Optimize Visa Gold product.
4. Focus on Premium Product development.
5. Influence all Co-brand decisions toward Visa.

**3.2.2 Asia Pacific Region - Generates 20% of total credit card volume.**

1. Increase credit cards to 125 million by year 2000.
2. Increase presence in Regional media.
3. Further develop Visa Gold Rewards program.
4. Implement Year-End Summary program.
5. Develop travel related enhancements.
6. Increase card issuance in underdeveloped markets.
7. Raise awareness and loyalty through Regional programs.
8. Increase Affinity and Co-Branded Programs/Partnerships.

**3.2.3 European Union Region - Generates 11.5% of total credit card volume.**

1. Grow market share by 10% in credit card volume.
2. Increase credit card market share through Visa Gold and Above Gold products.
3. Support Member Relations division to increase market awareness.
4. Support market segmentation development in the Co-branding arena.

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**3.2.4 Latin America/Caribbean Region - Generates 5% of total credit card volume.**

1. Grow market share by 8% in credit card volume.
2. Increase Member profitability through Platinum product.
3. Strengthen core product through new promotions.
4. Enhance Classic image to lower mid-market segment.
5. Increase Co-Branding participation in key areas and industries.
6. Increase Member communication and contact to establish stronger ties at Member level.
7. Introduce co-op promotion strategy to local retailers.

**3.2.5 Canada Region - Generates 5% of total credit card volume.**

1. Build Classic market share through advertising.
2. Build Gold card market share through "Above Gold" product.

**3.2.6 CEMEA Region - Generates .4% of total credit card volume.**

1. Increase number of cards from 1.5 million to 25 million by year 2001.
2. Focus on 22 card markets out of 96 countries.
3. Focus on building and developing markets and technologies.
4. Build market share through traditional Visa cards.

**3.3 Competition**

Increasing competition is driving the changes in the way Issuers develop and market consumer products. The Visa Brand is competing for the consumers "top of the wallet" and "share of the wallet". Visa has maintained a good competitive market share over MasterCard and American Express and currently has 57% of both sales volume and card volume.



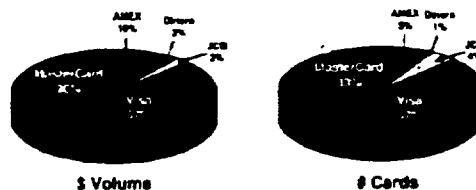
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**MasterCard** represents 33% of card volume and 30% of sales volume worldwide. They are pursuing market share through targeting new card programs at under-penetrated segments of consumer markets. They are maintaining market share in classic card programs and establishing a leadership position in the platinum card arena. MasterCard continues to launch new product programs, such as Premium Class card targeted initially for Latin America and Asia, and World Card in Brazil. MasterCard's strategy of introducing new products in a limited number of markets is likely to cause customer and merchant confusion. While MasterCard is buying their way into the Co-Branding market, they do not offer the support Members require when establishing new programs.

**American Express** represents 5% of card volume and 11% of sales volume worldwide. American Express's strategy is to introduce new card products to gain market share in the unsecured line of credit arena. They are launching revolving credit cards to increase consumer interest and income, and Co-branded and lifestyle cards to increase card usage, gain market share and obtain fee income. One of their card programs, the Delta SkyMiles card, launched January 1996, is estimated to be the second largest co-branded airline card in the US market, at around one million cards. American Express is eager to increase its distribution network and has partnered with 21 banks and other financial institutions in 19 countries. With the launch of these new products, AMEX faces its most serious challenge; can they gain market share and revenue while at the same time controlling losses with their new revolving credit cards?

**General Purpose Cards Worldwide**



Source: The Nilson Report - Year End 1996

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**3.4 Strengths/Weaknesses, Opportunities/Threats**

While Visa continues to maintain its market leadership and brand strength, it is facing increasing competitive threats as outlined below:

Strengths	Weaknesses
<ul style="list-style-type: none"><li>• Brand equity</li><li>• Worldwide acceptance</li><li>• Customer preference</li><li>• Market leadership</li><li>• Bank - Consumer relationship</li><li>• Regionally adaptive products</li><li>• Visa market share</li></ul>	<ul style="list-style-type: none"><li>• Inconsistency of card performance across Regions and the inability to monitor/control performance</li><li>• Lack of global co-branding relationships</li><li>• Lag AMEX in customer service perception</li><li>• Inconsistency in product naming across Regions</li><li>• Country government regulations</li></ul>
Opportunities	Threats
<ul style="list-style-type: none"><li>• Increase credit card penetration in underdeveloped markets</li><li>• Expand Regional Co-branding market penetration</li><li>• Work with Members to take preemptive action over AMEX credit cards</li><li>• Global product development</li><li>• Increase customer service perception</li></ul>	<ul style="list-style-type: none"><li>• MasterCard buying up market share</li><li>• MasterCard strategic alliances</li><li>• AMEX alliances with banks</li><li>• Introduction of AMEX credit cards and expansion of Optima to all Regions</li><li>• Crowding of Premium card market globally with introduction of new products by AMEX and MasterCard</li><li>• Premium product consumer segments are being targeted by Commercial cards</li><li>• Technology changes may impact payment</li><li>• Market saturation in the U.S. Region</li><li>• Co-branding cannibalization</li></ul>

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**4.0 OBJECTIVES, STRATEGIES AND DELIVERABLES**

The mission of the Consumer Credit Department is to sustain Member preeminence, profitability, and competitiveness in the credit card industry through the execution of business strategies and communications. The key objectives, supporting strategies, and major deliverables to achieve this mission are outlined below:

**4.1 Consumer Credit Products**

**4.1.1 Objective - Assist Visa Regions in achieving their consumer credit objectives.**

1. Focus on high potential, untapped markets, leveraging the market-by-market analysis performed by the Strategy Group and the Regions.
  - Region-specific Meetings to review results L. McCoy 6/98
  - Regional Marketing/Product Plans R. Lee 2/98
2. Ensure that the Regional teams are fully equipped to maximize growth opportunities.
  - Region Satisfaction Interviews and resulting Action Plan L. McCoy 12/97
  - Regional Strategic Planning Meeting All 2/98
  - Best Practices Tool Kit for Visa Classic B. Kelly 8/98
  - Best Practices Tool Kit for Visa Gold R. Lee 8/98
  - Visa Platinum Product Presentation Template K. McCabe 12/97
  - Consumer Card Products Statistical Profile Report. All Regions - Quarterly B. Kelly 1/98
  - Region Satisfaction Follow-up Interview Results L. McCoy 9/98

**4.1.2 Objective - Develop new products to capture a greater portion of the T&E marketplace.**

1. Develop, deliver, and launch the Visa Platinum Card.
  - Visa Platinum Name approved by Regional and International Boards K. McCabe 10/97
  - International Member Letter addressing the AMEX Agreement regarding Platinum name K. McCabe 10/97
  - Risk Management White Paper K. McCabe 10/97

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- Travel Accident Insurance Proposal	K. McCabe	11/97
- International Operating Principles presented to Regional and International Boards for approval	K. McCabe	3/98
- Recommendation on the Enhanced Services to be provided for the Visa Platinum Card	R. Lee	3/98
- Global Concierge Service RFP Results Regional Review	R. Lee	11/97
- Global Concierge Service White Paper	R. Lee	3/98
- Global Travel Rewards RFP Results Regional Review	R. Lee	11/97
- Global Travel Rewards White Paper	R. Lee	3/98
- Emergency Services and Customer Service White Paper	K. McCabe	3/98
- Visa Platinum Product Guide	K. McCabe	6/98
- Core Systems Implementation of three new Product Identifiers	K. McCabe	4/98
- Visa Platinum Pilots in four Regions	K. McCabe	6/98
- Future Enhancements White Paper	K. McCabe	9/98
2. Develop, deliver, and launch a Visa "Above Platinum" card.		
- Global Product Name	K. McCabe	3/98*
- Global Card Design	K. McCabe	3/98*
- Global Partnerships to obtain point-of-transaction differentiation	K. McCabe	9/98

\*Tied to U.S. development time frame

4.1.3	Objective - Develop global co-branding opportunities to increase card usage and capture a greater percentage of PCE.
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1. Focus on strategic partners to maximize impact.		
- Profile of strategic business partners	B. Kelly	12/97
2. Act as the focal point for global opportunities.		
- Co-Branding Opportunity and Success Summary	B. Kelly	Quarterly
3. Ensure that the Regions are fully equipped to assist their Members in maximizing opportunities.		
- Visa Co-Branding Sales Package	B. Kelly	1/98
- Regional and Member Presentations	B. Kelly	As required

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- |   |          |      |
|---|----------|------|
| - Multi-National Co-Brand Data Gathering Template | B. Kelly | 3/98 |
| - Best Practices Tool Kit for Co-Branding         | B. Kelly | 8/98 |
| - Profitability Model                             | B. Kelly | 8/98 |

**4.1.4 Objective - Enhance existing products to remain competitive.**

- |  |          |      |
|--|----------|------|
| 1. Re-examine customer requirements, re-look at our existing product portfolio, and evaluate recommended actions, most importantly for Visa Classic. |          |      |
| - Visa Classic Trend Analysis  | B. Kelly | 7/98 |
| - Visa Classic Product Evaluation and Recommendations  | B. Kelly | 8/98 |

**4.1.5 Objective - Provide overall Consumer Credit Products support to Management, Central, Regions, and Members, as needed.**

- |  |           |             |
|--|-----------|-------------|
| 1. Strategic Product Plan  | L. McCoy  | 9/98        |
| 2. Recommendations to address fundamental shifts in the market place, such as, the evolution from magnetic stripe technology to chip, the shift from national/regional organizations to global players, etc. | L. McCoy  | 9/98        |
| 3. Strategic communications  | L. McCoy  | Ongoing     |
| 4. Member Briefing Participation   | All Staff | As required |
| 5. Global Assistance Network   | All Staff | As required |
| 6. Policy Issues Resolution  | All Staff | Ongoing     |
| 7. Regulatory Compliance   | All Staff | Ongoing     |

## **5.0 MANAGEMENT OBJECTIVES**

<b>5.1.1 Motivate staff to achieve the objectives of the organization.</b>
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1. Communicate corporate goals:
  - Hold a group meeting to review Visa's vision, mission, and strategic objectives. Completed
  - Link the Consumer Credit Department mission/goals to the achievement of the corporate goals. Completed
  - Link individual employees' roles/responsibilities to the achievement of corporate goals. Completed
2. Establish performance plans for each individual:
  - Clarify each employee's role and responsibilities. Completed
  - Complete the Performance Plan section of the PPRS for each employee. Completed
  - Review the Performance Plan with each employee. Completed
3. Establish incentive goals for the Management Incentive Plan and the Visa Incentive Plan:
  - Set each employee's incentive goals. Completed
  - Complete the MIP or VIP Goal setting Worksheet for each employee. Completed
  - Review the goals with each employee. Completed
4. Monitor performance and communicate results:
  - Conduct progress review meetings with direct staff to review deliverables, projects, issues, leadership and management practices, developmental plans, budget, and provide support. Bi-weekly
  - Review employee's performance plan and incentive goals. Quarterly
  - Conduct team meetings to communicate information from higher level meetings, contacts, etc.; to reinforce values, critical activities, and initiatives; to integrate activities across reporting groups; and to provide a forum for discussion and problem solving. Bi-weekly
  - Conduct a formal review of division and department goals. Quarterly

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|--|------------|
| - Conduct division and department meetings to communicate information from higher level meetings, contacts, etc.; to reinforce values, critical activities, and initiatives; to integrate activities across reporting groups; and to provide a forum for discussion and problem solving. | Quarterly  |
| - Hold skip-level meetings to communicate values, strategies, rational behind direction, foster informal input, and collect feedback on organizational issues.   | Bi-monthly |
| - Complete performance reviews on time for each employee.  | Ongoing    |
| - Complete salary reviews on time for each employee.   | Ongoing    |

## 6.0 FINANCIAL OBJECTIVES

6.1.1 Allow the corporation to achieve its financial goals.
---

1. Manage division and department budgets;
  - Review all financial reports to ensure their accuracy, and correct any errors. Monthly
  - Analyze variances from budget or targets, and obtain appropriate approvals for significant variances. Monthly
  - Provide appropriate service-oriented reporting to demonstrate the achievement of financial objectives (e.g., revenues, expenses, unit costs). Monthly
  - Provide appropriate project-oriented reporting to monitor project-related expenses. Monthly
2. Develop budgets to reflect corporate objectives and financial goals:
  - Identify activities that will achieve corporate objectives and estimate costs. Quarterly
  - Prepare six-quarter forecasts of future activities. Quarterly
  - Develop fiscal year budgets to meet corporate objectives and timelines. 9/98



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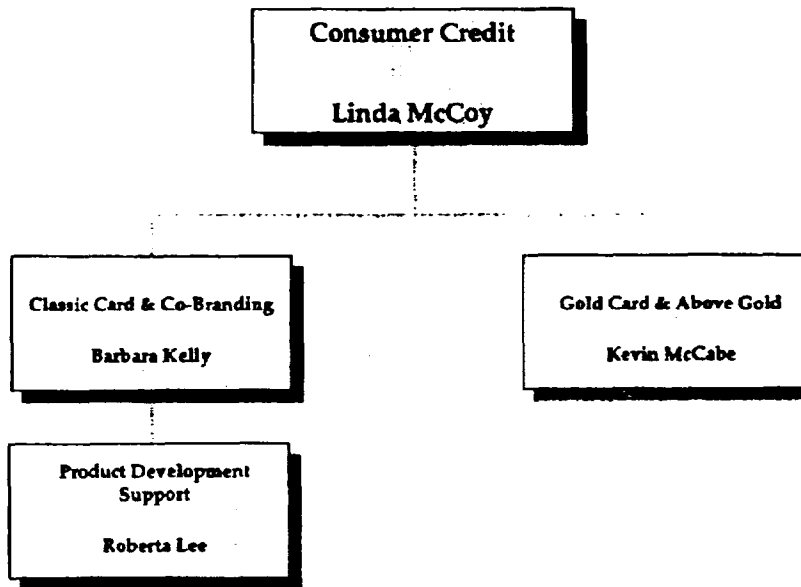
**7.0 FINANCIAL INFORMATION**

Forecast 1997/98 \$ (000)	FY97/98 Budget	FY97/98 Target	FY97/98 Forecast	F'cast:Bud B(W) \$\$	F'cast:Bud B(W) %	F'cast:Tgt B(W) \$\$	F'cast:Tgt B(W) %
<b>EXPENSES</b>							
Personnel	539.0	539.0	539.0	0.0	0%	0.0	0%
Facilities	0.0	0.0	0.0	0.0		0.0	0%
EDP Equipment	0.0	0.0	0.0	0.0		0.0	
Communications	1.0	1.0	1.0	0.0	0%	0.0	0%
Publications	81.0	81.0	81.0	0.0	0%	0.0	0%
Memb. Reimb	0.0	0.0	0.0	0.0		0.0	
Provision Lossee	0.0	0.0	0.0	0.0		0.0	
Adv /Promo	0.0	0.0	0.0	0.0		0.0	
Product Enh	0.0	0.0	0.0	0.0		0.0	
Prof. Fees	213.0	213.0	213.0	0.0	0%	0.0	0%
Travel & Mtgs.	70.0	70.0	70.0	0.0	0%	0.0	0%
Admin. Exp	10.0	10.0	10.0	0.0	0%	0.0	0%
Net Interest	0.0	0.0	0.0	0.0		0.0	
<b>TOTAL EXPENSES</b>	<b>914.0</b>	<b>914.0</b>	<b>914.0</b>	<b>0.0</b>	<b>0%</b>	<b>0.0</b>	<b>0%</b>
<b>HEADCOUNT</b>							
	4	4	4	0.0	0%	0.0	0%

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**8.0 ORGANIZATION AND POSITION RESPONSIBILITIES**



<u>Name</u>	<u>Title</u>	<u>Position Description</u>
Linda McCoy	Vice President	Consumer Credit Products
Barbara Kelly	Director	Product Management, Classic Card & Co-Branding
Kevin McCabe	Director	Product Management, Gold Card & Above Gold
Roberta Lee	Manager	Product Development Support, All Consumer Credit Products